



Promoting Historic Preservation: Programs, Tools & Incentives

Many are aware of the role historic preservation commissions play in protecting resources on the local level. Combining local protection strategies with effective planning techniques, financial incentives and technical assistance programs can provide a balance to what many often see as onerous restriction, added cost, and elitism. Preservation should not be viewed independently, but rather as an important and integral part of community planning. This article provides a summary of the various tools, incentives and programs that can be used, and combined, to foster effective community preservation.

Programs

New Jersey
Department of
Environmental
Protection

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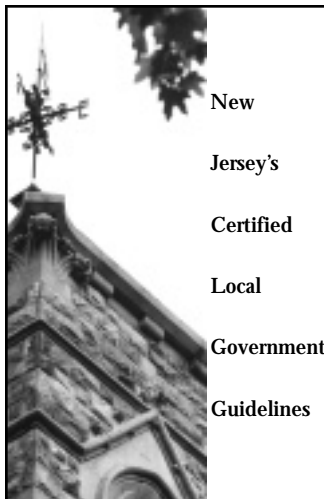
Division of
Parks & Forestry

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Historic
Preservation
Office

Certified Local Government Program

The New Jersey Historic Preservation Office (Division of Parks and Forestry, Department of Environmental Protection) administers the Certified Local Government Program that enables participants to take advantage of a small pool of planning grant moneys. To participate, a municipality must enact an ordinance with a process to designate and protect historic resources and to create a local historic preservation commission. A commission may be either advisory or regulatory in nature, as long as the ordinance is consistent with the Municipal Land Use Law. In addition to the opportunity to apply for grant money, advantages include training, technical assistance and the ability to assume regulatory responsibilities as may be delegated by the HPO. We presently have 31 Certified Local Governments, however a recent survey indicated that there are approximately 144 local ordinances (out of 566 municipalities) enacted in New Jersey. For more information on how you can benefit from this program, contact



George Chidley, HPO, (609) 984-6017 or
gchidley@dep.state.nj.us.

Main Street New Jersey

The Main Street New Jersey Program is administered by The Department of Community Affairs. Main Street is a comprehensive approach to downtown revitalization. The program uses the four point approach - design, organization, promotion, and economic restructuring. Community selection is based on commitment, population, built environment, and the potential to fund permanent staff. For more information contact Barbara Swanda or Jeff Buehler at (609) 633-9769 or msnj@juno.com.

Department of Community Affairs

The Department of Community Affairs provides financial aid to municipalities, non-profit and for-profit organizations for housing production designed for low and moderate income households through loan and grants-in-aid housing and community development programs. They also provide assistance for downtown and neighborhood business development, economic development and infrastructure improvements. While not specifically designed to fund historic preservation, many of the efforts funded have included historic resources. These programs combined with local protection strategies and awareness of preservation goals and standards can be enormously effective in fostering and nurturing community preservation. The programs mentioned below work in tandem with local and county government:

- * **Balanced Housing:** a grant and loan program to create affordable housing opportunities for households of low- and moderate-income. Money is awarded to municipalities who have received



substantive certification from the Council on Affordable Housing; entered into a judicially-approved compliance agreement to settle its fair housing obligation; or who are subject to a court-ordered builder's remedy; or who have been designated as a receiving municipality under a regional contribution agreement and the project plan has been approved by the Council on affordable housing. For more information, call (609) 633-6250.

- ✱ **Community Housing Development Organizations (CHDO) Fund:** provides grants and loans (federal sources) to nonprofit agencies designated as CHDOs for the purpose of creating affordable housing. For more information, call (609) 633-6250.
- ✱ **Housing Production Investment Fund:** provides non-interest bearing, interest bearing and deferred loans, grants and/or interest subsidies (federal sources) to for-profit and nonprofit developers for the purpose of creating affordable housing throughout the State. For more information, call (609) 633-6250.
- ✱ **Neighborhood Preservation:** provides deferred payment loans (federal sources) to property owners for the rehabilitation of substandard housing units within an eligible NPP municipality. For more information, call (609) 633-6283.
- ✱ **Neighborhood Rehabilitation Improvement:** provides assistance to rental property owners to develop housing for low-income households in the form of deferred payment loans (federal sources) to property owners (including nonprofits) for the rehabilitation of substandard, rental housing units. For more information, call (609) 633-6179.
- ✱ **Neighborhood Preservation:** provides for direct financial (state source) and technical assistance to municipalities to conduct activities associated with the preservation of designated neighborhoods based on strategic redevelopment plans within those municipalities. For more information, call (609) 633-6283.

- ✱ **Small Cities Community Development Block Grant:** providing funding (federal sources) for economic development, community revitalization and public facilities projects designed to principally benefit people of low- and moderate-income or to address local needs of recent origin for which no other source of funding is available. For more information, call (609) 633-6278.
- ✱ **Strategic Neighborhood Assistance Program (SNAP):** a neighborhood based program to strategically provide both financial (state source) and technical assistance to threatened but viable neighborhoods. The program's objective is to stabilize and revitalize housing, social and economic development in the targeted neighborhoods. Seed money is also available to assist selected towns with the initial planning process and in the development of a comprehensive program design.

This new program is in its beginning stages; for more information, call (609) 633-6266.

New Jersey Housing and Mortgage Finance Agency

The New Jersey Housing and Mortgage Finance Agency creates housing by funding affordable home mortgages for first time home buyers and by promoting construction and rehabilitation of rental housing. While not specifically designed to finance historic preservation, their programs can benefit the preservation of older and historic neighborhoods. Many of the programs offer below market rate financing and reduced closing costs for first time home buyers.

- ✱ **The Buy-and-Fix-It Mortgage** offers first time home buyers and urban target area buyers below market interest rate financing for the purchase and rehabilitation of a home, or the rehabilitation of a presently owned home. Seventy-five percent of the home's



existing external walls and interior structural framework must remain in place as part of the rehabilitation. Call 1-800-NJ-HOUSE for more information.

✱ **The Upstairs-Downtown**

Mortgage program provides FHA-insured below market rate mortgage funds to acquire and rehabilitate or refinance and rehabilitate residential structures with a storefront commercial component. The program's objective is to help municipalities and small businesses revive the mercantile and housing potential of main street and neighborhood commercial areas. This program is designed for owner occupants and small investors. Call 1-800-NJ-HOUSE for more information.

- ✱ **Low-Income Housing Tax Credit Allocation Program:** federal tax write-offs for a period of 10-15 years for rental developments with at least 20% of the units affordable to households with incomes of 50% or less of the area median income, or 40% of its units affordable to households with incomes of 60% or less of the area median income. There are a limited number of Federal low-income housing tax credits allocated by HMFA each year and allocated against those units within a development that are maintained as low-income rental housing. This program can be combined with Investment Tax Credits (see below). Call (609) 278-7578 for more information.

Sources:

Housing Assistance Program Guide, Building Better Communities Neighborhood by Neighborhood, State of New Jersey, Department of Community Affairs, July 1998 Tools and Incentives

Grants:

The New Jersey Historic Trust administers the Historic Preservation Bond Fund, providing matching grants from \$25,000 to \$1.25 million for preservation, restoration, rehabilitation and improvements of historic sites listed on the New Jersey Register of Historic Places. Assistance is available for units of government or qualified not-for-profit organiza-

tions. The Trust also administers an Emergency Grant & Loan Fund to provide seed money for critically needed work. The Revolving Loan Fund offers low interest loans for acquisition, preservation, rehabilitation or restoration of historic properties. The minimum loan request is \$25,000 and there is a 10% matching requirement for nonprofit entities and 60% matching requirement for local and county governments. For more information, visit the New Jersey Historic Trust web site at www.state.nj.us/dep/njht/about.htm or call (609) 984-0473.

Easements:

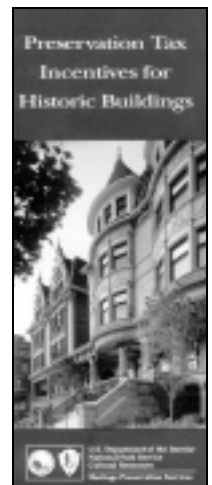
New Jersey Legacies, administered by the New Jersey Historic Trust, offers owners of homes in New Jersey a way of safeguarding their property for future generations while reducing estate taxes and potentially realizing immediate tax benefits. The program is intended to protect a wide array of architecturally and historically significant homes, and will also generate revenues that benefit the preservation of historic sites throughout the Garden State. A home donated through New Jersey Legacies is protected by a preservation easement, which is a permanent legal restriction on what can be done to a home meant to

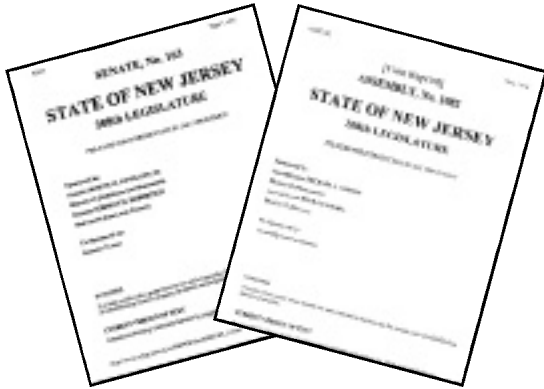
ensure that the historic features of the property remain intact. The property is then sold to homeowners that will continue to care for the property. Donations can be outright or partial interest donations, a donation retaining life use, or a testamentary donation. This program is designed to keep historic properties in private ownership. The Trust currently holds 7 perpetual easements and 127 preservation "term" easements, which range from

five to twenty years. For more information on how this program may benefit property in your community, contact Cecelia Tazelaar, New Jersey Historic Trust, (609) 984-0473.

Investment Tax Credits (ITC):

Rehabilitation of historic investment property may qualify for a 20% federal income tax credit providing the building rehabilitation





meets the Secretary of the Interior's Standards, as certified by the National Park Service. The property must be either individually listed on the National Register or identified as a contributing building of a historic district within thirty months of project completion. The project cost must exceed \$5,000, or the total of the owner's adjusted basis, whichever is greater. In New Jersey, several projects providing affordable housing have merged the Investment Tax Credit with the Affordable Housing Credit. For more information on how this credit may benefit historic investment property within your community, contact Margaret Westfield, R.A. at (609) 984-6014 or e-mail mwestfie@dep.state.nj.us.

Zoning:

In general, community zoning is responsible for shaping a community's vision through the regulation of private property. Knowing how your community is zoned is the first step in assessing long-term effects this zoning (and subsequent changes consistent with this zoning) may have on historic resources. As an example, let's say that the main street in a historic district is comprised of primarily two and three story wood and brick Victorian buildings with asymmetrical facades and steeply pitched roofs punctuated by turrets, corbelled chimneys and dormers, situated on quarter acre lots. If the current zoning specifies half acre or larger lot size for a single family house, and establishes maximum square footage and maximum allowable lot coverage that is far below that which already exists, there is a very low probability that you would see compatible infill construction based on the current zoning requirements. Similarly, a district comprised of two story residential brick row buildings, where the zoning buffering the historic district allows five and six story high rise office buildings,

can be seriously compromised by any new site plan proposal meeting the allowable zoning requirements.

Various zoning techniques can be useful in fostering long-term preservation goals. The transfer of development rights, conditional use zoning, bonus or incentive zoning can provide carrots (such as granting higher densities) to the developer in exchange for their helping to protect what's valuable to a community's quality of life.

The HPO disseminates information free of charge to further assist you in understanding how to incorporate these concepts into local zoning; contact George Chidley (609) 984-6017 or e-mail gchidley@dep.state.nj.us.

Creating Historic Districts and Local Commissions:

Creating a local historic district within your zoning, consistent with NJ Municipal Land Use Law, is the most effective method for protecting historic resources at the local level. Generally, the designation of sites and districts is regulated by the local Historic Preservation Commission. Commissions can be advisory to the Planning Board or act independently, depending on how they've been established. The preservation ordinance establishes the criteria for designating sites and the process for issuing certificates of approval. There is a lot of latitude in drafting an ordinance that is appropriate for your community and the HPO can assist you in this endeavor. It should be understood that district designation does not imply "freezing an area in time" but rather guiding changes to foster compatibility with existing resources. Regulating historic property at the local level is often difficult. Historic Preservation Commissions can be most effective if they see themselves as "agents" to provide technical assistance to others less knowledgeable. HPO conducts at least one training workshop for local commissions each year and disseminates information free-of-charge. Contact George Chidley at (609) 984-6017 or e-mail gchidley@dep.state.nj.us for more information.

Deed Restrictions:

A deed restriction, or protective covenant, can be placed on a property prior to its sale or transfer, to protect a site in perpetuity. Most often, deed restrictions are placed to

protect important archaeological sites where preservation in place is the preferred option. Deed restrictions can also be used when property is sold or transferred and the owner wishes to protect the historic integrity of the resource. The protective covenant can contain language requiring all future undertakings, rehabilitation, etc., be consistent with the Secretary of the Interior's Standards for the Treatment of Historic Property. For more information, or sample covenants, contact Dan Saunders of the HPO at (609) 633-2397 or e-mail dsaunders@dep.state.nj.us.

Real Estate Tax Abatement:

Under the New Jersey State Constitution "exemptions or abatements from taxation on buildings and structures in areas declared in need of rehabilitation in accordance with statutory criteria,..." is afforded municipalities provided that the exemption is only for limited periods of time as specified by law, but in no event to exceed five (5) years. In essence, local government may designate an area as "blighted" and enable the abatement of the increase in assessed property tax, as a result of "improvements", for a period not to exceed five years. At the end of five years, the property may be assessed at its fair market value. Properties are not removed from the tax roles. There is no loss of tax revenue during rehabilitation, but, in effect, this technique enhances the future tax base for the town. While this legislation is not specifically intended for historic districts, when used in conjunction with oversight by a local historic preservation commission, it can provide an excellent incentive to encourage rehabilitation, improvement and upkeep of older (and/or historic) property. Studies have shown that construction activity often acts as a catalyst for other property owners in a specific area. Secondary benefits may include stabilized or enhanced property values. For more information on how this enabling legislation might benefit your community, contact the New Jersey Historic Preservation Office or your local government.

Special Improvement Districts:

More commonly referred to as SID, this enabling legislation allows a municipality to create a special taxing district, usually coinciding with a commercial area, and levy additional taxes to create a funding source for

community enhancements. It should be noted that SID's are funding mechanisms only and are most effective when used in conjunction with other programs, such as Main Street New Jersey (see above). Funds can be used to provide extra police or trash services, infrastructure improvements, to fund personnel or consulting services, develop marketing plans, or to create a facade improvement program. Special improvement districts do not have to qualify as historic districts but in many older communities, the downtown commercial area may meet the criteria for historic designation. Contact the Department of Community Affairs (609) 633-6272 or your local government for more information on how to create a special improvement district.

Legislation on the horizon:

The Historic Homeownership Assistance Act of 1997 (H.R. 1134 and S. 496) creates a federal tax credit for single-family and multi-family residences, condos, and co-ops listed on the National Register, eligible for the National Register, or on a state or local register certified by the Secretary of the Interior. It allows 20% federal income tax credit to those who rehabilitate or buy a qualified historic house, limited to \$50,000 for each principal residence. Expenditures must be greater than \$5,000 on the adjusted basis. Five percent of the rehab must be spent on the exterior. This credit also has a "pass through" feature whereby a developer may rehab property and sell it to a homeowner with the credit. Taxpayers with little or no tax liability may convert the credit to a mortgage credit certificate to obtain a mortgage interest rate reduction from the lender. All rehabilitation must be certified as meeting the Secretary of the Interior's Standards for the Treatment of Historic Property. The 105th Congress finished with 132 co-sponsors in the House and 26 in the Senate. While it did not pass this session, the bill is expected to be introduced with slight amendments in the next session.

The Historic Property Reinvestment Act (A 1082, S163) creates a state gross income tax credit equal to 25% of the cost of rehabilitating privately owned historic property used for either residential or commercial purposes. The property must be listed on the New Jersey and/or National Registers of Historic Places and 60% of the rehabilitation costs must be spent on the exterior of the building. The credit can be carried forward over a

three-year period but is capped at \$5,000 for a homeowner and at \$10,000 for a commercial property owner. This bill was first introduced in 1996 and re-introduced in the spring of 1997. A1082 passed the Assembly Environment Committee with amendments and was referred to the Assembly Appropriations Committee. Its companion, S163, passed both the Senate Community and Urban Affairs Committee and Senate Budget and Appropriations Committee and had its second reading on September 17. Hopefully this legislation will wind its way toward passage in 1999.

The New Jersey Historic Preservation Office is available to assist you in implementing effective historic preservation strategy in your community. Many of our technical assistance publications are available free-of-charge.

For a listing of available information, please call (609) 292-2023.

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This publication has been financed in part with federal funds from the National Park Service, U.S. Department of the Interior, and administered by the New Jersey Department of Environmental Protection, Natural & Historic Resources, Historic Preservation Office. The contents and opinions do not necessarily reflect the views or policies of the U.S. Department of the Interior. This program receives federal financial assistance for the identification and protection of historic properties. Under Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973, the U.S. Department of the Interior prohibits discrimination on the basis of race, color, national origin, or handicap in its federally assisted programs. If you believe that you have been discriminated against in any program, activity, or facility as described above, or if you desire further information, please write to: Office of Equal Opportunity, National Park Service, 1849 C. Street NW (NC200), Washington, D.C. 20240

Notes
